

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Market Test of Experimental Product –)
First-Class Tracker)

Docket No. MT2012-1

PUBLIC REPRESENTATIVE COMMENTS
IN RESPONSE TO NOTICE OF MARKET TEST OF
EXPERIMENTAL PRODUCT—FIRST-CLASS TRACER

(November 28, 2011)

The Public Representative hereby comments on the Postal Service's Notice of market test of experimental product-First-Class Tracer filed pursuant to 39 U.S.C. 3641.¹ By notice and order, the Commission established the above-styled docket and provided for comments by interested persons on the Postal Service's Notice no later than November 28, 2011.²

I. BACKGROUND

The Postal Service proposes to initiate a market test beginning on or about December 7, 2011 of an experimental market dominant product, First-Class Tracer. The market test will provide customers the option to purchase a service to track the transportation and processing of single-piece First-Class Mail. Notice at 1.

¹ Notice of the United States Postal Service of Market Test of Experimental Product – First-Class Tracer (Notice), November 7, 2011.

² Notice and Order Concerning Market Test of Experimental Product, Order No. 959, November 9, 2011.

The Postal Service proposes the market test of the First-Class Tracer as a “letter visibility service” providing customers information on the transportation and processing of First-Class Mail letters. *Id.*

The Postal Service will offer the product at 50 retail locations around the Washington, DC metropolitan area. Two packaged quantities, a five-label pack and ten-label pack will be offered at test prices varying by location. *Id.* at 3. The per-label prices will vary from about \$0.20, \$0.30, and \$0.40 (sold at \$0.99, \$1.49, and \$1.99 for five-packs and \$1.99, \$2.99 and \$3.99 for 10-packs). Alternative packaging quantities, prices and sales channels may be tested. *Id.* The Postal Service states that the duration of the market test will not exceed 24 months unless the Postal Service requests an extension from the Commission. *Id.* at 6.

A First-Class Tracer consists of a barcoded label, tracing number, and QR Code. The product provides information about the processing and transportation of First-Class letters but does not provide a delivery scan. *Id.* at 2. An example of the First-Class Tracer label is included in the Postal Service’s Notice. *Id.* at 3. Scan data will be available on the Postal Service’s website, usps.com with the tracking number input at the Track and Confirm section of usps.com or scanning the QR Code with an enabled mobile device. *Id.* at 2-3.

Expenses incurred will be considered research and development costs in connection with new product development. *Id.* at 1. Companies involved in production and distribution of the product will be compensated through existing contracts and terms. *Id.*

Certain significant details about the basis for pricing the product, product costs, the specific product to be offered and the service standards for the product are not discussed by the Postal Service in its Notice.

II. SECTION 3641 CONDITIONS ARE MET

A product may not be tested under 39 U.S.C. 3641 unless it satisfies each of the three conditions in subsections (1) through (3) of section 3641(b). Upon review of the Postal Service's Notice, the Public Representative concludes that the market test meets the conditions of 39 U.S.C. 3641(b). The market test offers a product significantly different from all other products offered by the Postal Service within the 2-year period preceding the start of the test as required by 3641(b)(1). The market test will not create an unfair or inappropriate competitive advantage for the Postal Service or any mailer as required by 3641(b)(2). Finally, the Postal Service correctly categorizes the product as market-dominant pursuant to section 3641(b)(3).

In addition, the Postal Service does not anticipate that the annual revenues from the market test will exceed \$10,000,000, as adjusted for inflation in any fiscal year, pursuant to 39 U.S.C. 3641(e), (g). *Id.* at 4, 6.

III. OTHER INFORMATION

A. Scan data offered and provided

Despite meeting the statutory requirements of section 3641 for the market test, the Postal Service has failed to provide significant information that would be desirable to ensure that customers' purchasing the test product receive the expected value for their purchase..

The Postal Service says all sorting equipment capable of performing a secondary delivery process sort will be capable of scanning the tracer label. The Postal Service expects the product labels to be scanned about two times for local mail and more than two times for mail travelling between plants. *Id.* at 2.

However, the Postal Service is silent about the terms of the service it will market to the customer. That is, will two scans be guaranteed for each First-Class letter and three scans if the letter is not to a local area? Will the scan provide the customer any more information than the time and location of the scan? Although the delivery scan is not provided, what will be the location of the last scan provided in relation to the delivery address? Will scans be available to all geographic areas of the United States? Will the product be available for international letters? Will a label placed on a flat of about letter size be scanned? How soon after scanning will the scan information become available? For how long will the scan information be available on the website. If scan information is not available on a particular letter, what relief is available for the customer? What will be the performance standard for this product? Customers not familiar with commercial scans, in particular, should be informed about many of the above questions before or at the time of purchase. The Commission may wish ascertain whether the Postal Service has addressed these questions before approving the market test in order to ensure consumers are offered a product that will provide value equal or greater than the service anticipated when the product is purchased.

B. Basis of Pricing

The Postal Service is also silent about the basis for its pricing of the product other than attempting to determine what the market will bear. Because this is a market

dominant product, the pricing should bear some relationship to the Postal Service's costs rather than be based solely on the price the customer will pay. The Postal Service refers to contracts relating to production and distribution that will provide compensation to the companies involved through existing terms. *Id.* at 1. The Postal Service has not provided any further information on the terms of those contracts and the costs incurred by the Postal Service pursuant to those contracts or their terms. The contracts are relevant to an understanding of the basis for the pricing of the product. Although the price of an individual label is small, the basis for pricing this market dominant product and the relationship to cost must be explained at some time in greater detail.

C. Data Collection Plan

The Postal Service proposes to collect revenue and volume data through existing retail reporting systems. *Id.* at 6-7. It states that it is "prepared to report on the results of the research to the Commission" but it does not present a plan to do so. In a recent Commission order approving a market test, the Commission imposed the requirement to report on the costs incurred in conducting the market test including the administrative costs in the process of conducting the market test. It also required a data collection report on the test due 30 days after each 6-month period the market test is in effect..³ Similar reporting requirements are appropriate for this market test to include the volume and revenue data collected.

II. CONCLUSION

The Public Representative submits for the Commission's consideration the foregoing Comments and suggestions for gathering additional information.

³ Docket No. MT2011-4, Order Approving Mail Works Guarantee Market Test, Order No. 730, May 16, 2011at 15.

Respectfully submitted,

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